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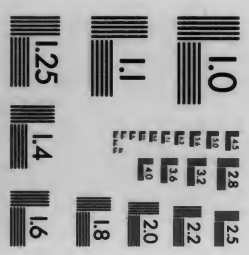
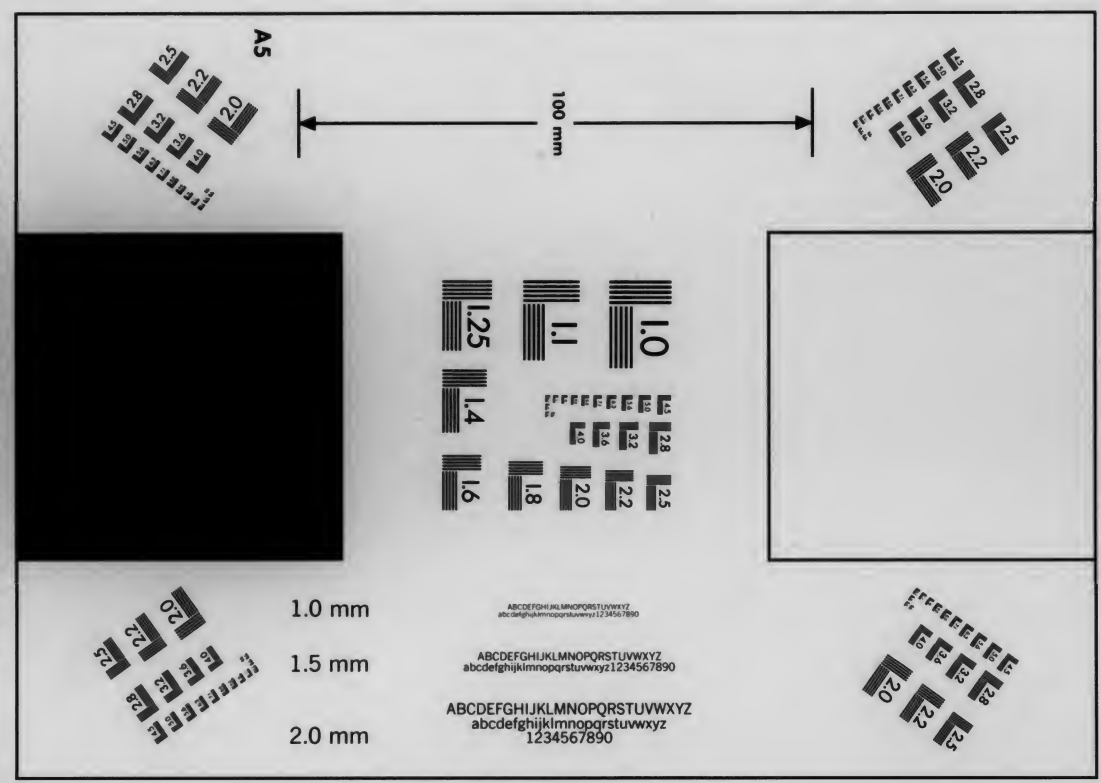
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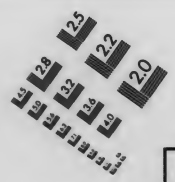
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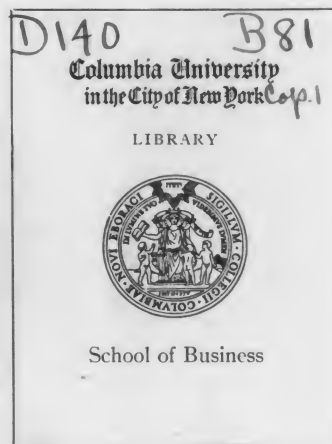
FOREIGN TRADE

Theodore H. Brown, Ph.D.

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Lecture Text

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SCHOOL OF BUSINESS

Foreign Trade

By

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THE NATURE OF FOREIGN TRADE

In many respects the selling of goods in a foreign country involves problems similar to those which may appear in the selling of goods in a domestic market. The merchant finds that in foreign trade he must overcome not only the usual domestic obstacles which require his personal attention and energy, but also new difficulties in the way of foreign laws, customs duties, differences in languages as well as habits and ideas which are entirely strange to him. Solving these new difficulties involves no small amount of patience and work and an infinite amount of care. While distance may sometimes lend enchantment, the export merchant finds that the distant foreign market with its comparatively slow means of communication may lead to serious consequences in case of misunderstanding.

PREPARING FOR FOREIGN TRADE

In organizing a department for foreign trade it is essential that someone be detailed to give his exclusive attention to the work of the export department. This does not always involve at first a large and complicated organization with a large force of clerks and stenographers, but it does involve even at first, the whole attention of a least a single man, together with enough clerks to handle the documentary routine. If the manufacturer desires to invest a considerable sum in his export business, it is unquestionably the best thing for him to secure the services of a man who has had some experience in export work. But in numbers export managers are far less than the demand. They consequently can ask and do receive high salaries. If a man of this sort is hired as head of the export department, the probability is that the manufacturer will secure a satisfactory foreign trade at a date earlier than he would otherwise.

In many firms there has been adopted the plan of advancing some young man already connected with the company to the position of export

manager. He may be either advanced from the domestic sales force or taken from some other position. If he has ability and energy there is no reason why such an arrangement should not be entirely satisfactory. Many of the younger men connected with various firms in export work have been advanced to the position of export manager in this way. Such a manager should not have his time taken up by petty routine details but should have his time to develop his knowledge of foreign markets and foreign commerce so that he can solve the more difficult problems in the most efficient manner.

It is probably the best plan for a company beginning to organize its foreign trade to organize its foreign department along the lines of a clerical staff taking care of the necessary details peculiar to foreign commerce. If this is done the export department will be able to co-operate with the other departments already organized in the factory so as to advise them concerning those details and changes which are necessary to conform with foreign trade practices. Thus, the export manager may, for example, discuss with the packing department the particular needs arising in packing the product of the factory for export, or he may co-operate with the credit department so that the credit department can take up and carry on the details of the foreign credits.

METHODS OF REACHING A FOREIGN MARKET

We will suppose that the export department has been organized according to a plan which best fits in with the plan of the organization of the factory and that the question now before the management is to decide upon the means of selling the goods in the market. Before we begin a discussion of the various methods at the present time employed it should be pointed out that goods have to be sold in the foreign market in just the same sense that they have to be sold in the domestic market. No exporter can afford to imagine that after he has freely sown literature in the way of letters and catalogues in a foreign market, all that is necessary for him to do is to send a man into the market to reap the harvest.

The first essential in properly planning the campaign is a thorough and complete study of the commercial geography of the world. The American boy has been educated with altogether too little emphasis on the study of the commercial geography of the world. In foreign trade it is not only necessary to know the geographic positions of the chief countries of Europe or of Asia or to know in a general way where London or Paris or Berlin may happen to be located, but also to know such things as the customs and the habits and the climate of the people in the Dutch East Indies or Argentina or Venezuela. The export manager must be familiar not only with the names of the well-known capitals of Europe but also with the names, location, and trade passing through such ports as Signapore, Pernambuco, or Columbo. He must know, for example, that in some Latin-American countries the coastal strip of land has one climate while quite a different climate is to be found in the inland cities. He must be familiar with the habits and with the customs of the various countries in which he expects to trade and must be prepared to conform and plan his sales campaign with reference to such habits and customs. He must be very sure in addition to this of the means of transportation within the country between the larger cities, for if the transportation is too difficult the sales campaign may be so expensive that it will result in a failure. After having understood the geography of the various parts of the world, the export manager may then proceed to divide up the map of the world for the sales campaign according to some plan which to him may seem to be the most effective. The very fact that he has a clear and thorough understanding of the commercial geography of the world will be his best guide in this work.

With this done he must next consider what methods he will prefer in getting his goods sold in any particular country. There are three common ways of selling goods in a foreign country direct from manufacturer to purchaser. They are: through salesmen, through foreign agents, and through a branch house.

Before, however, any of these methods are adopted, there should be

an advertising campaign conducted in those new markets in which it is desired to first introduce the product of the firm. Just as in the domestic market a demand must be created for a particular line of goods, so in the foreign market a demand must be created in advance of sending agents into the foreign field to actually sell the goods. No sane merchant in this country would think for a minute of placing an order for goods with a salesman on his first call from, say, England when he knew nothing of the English firm nor of the particular brand of goods which the salesman represented nor, possibly, even of the uses of those goods if they happened to be some novelty. So the export manager must prepare his foreign market by advertising matter, and by correspondence. He must create the demand for his goods so there will be possible customers who will show signs of interest. In making up catalogues or literature for foreign distribution, especially if it is in a foreign language, great care should be taken that the reading matter is in a form which can be understood by the foreign customer.⁴ In any language there are many terms and phrases which acquire special significance and which, if translated literally into a foreign language, would have little or no meaning. In the preparation of letters and catalogues in foreign languages expert advice from men who know the language and understand the customs of a particular foreign country will be found far cheaper in the end than a questionable experiment. Customers in foreign markets are often persons of taste and discrimination and care in getting out varied and attractive literature will be found to be repaid a hundredfold. The attack on a foreign market should be planned with all the skill and care possible so that it may be as varied and as attractive as the export manager can make it.

Suppose now that the campaign has been completed and the literature sent out has attracted some comments and favorable inquiry. What method is to be employed in developing the market? Unquestionably at first it will be wise to send a salesman out to do this. The salesman will be selected with a view to developing this particular market, which of course should not cover an impossibly large territory. Naturally he must be able

to make himself personally agreeable to possible customers. He should be a man who has at least travelled extensively in the market he is to develop in case he has not lived there for a considerable length of time. Naturally he must also possess the qualities of a salesman. Such men being comparatively scarce they naturally ask and receive excellent salaries. The firm must also be prepared to make liberal allowance in the way of travelling expenses, for travelling is expensive in many foreign countries and the salesman must live in a way to command the respect of possible clients. A small allowance in the way of travelling expenses may indicate to possible clients that the firm is not really interested in promoting the particular market but simply trying to develop some orders to take care of surplus production. The salesman-investigator may develop some business which it may seem worth while to leave in his care for future development on future trips to this market, or if the preliminary correspondence and advertising has been particularly successful or the salesman's efforts have been satisfactory, it may be desirable to continue the connection with the market by one of the other methods.

Another method which may be followed is the assigning of a market to a foreign agent. The investigating salesman may have reported that this is the best method for developing a particular market because it secures the help of a resident sales force thoroughly familiar with the country in which the goods are to be sold. In case it is decided that this is the best method of selling the goods in that market care should be taken that the agent does not carry and does not intend to carry a competing line of goods of another manufacturer. Cases have been known in which foreign agents have secured exclusive rights for a product in a particular territory for the simple purpose of excluding possible competition. In some cases it has been found that exclusive rights to a particular territory have been given to some agent and that then the market has been sold with the same goods through one of the houses connecting the exporter directly with the manufacturer. Care should be taken that this does not happen. Once a foreign agent has been selected, the manufacturer has no right to suppose that his responsi-

bility in the matter has ceased and that he can from that time on expect to see this agent push the sale of his goods. In order that the manufacturer shall really get as much as possible out of such an arrangement he must stand back of his agent encouraging him through correspondence or perhaps visits of his personal representative. The foreign agent must be made to feel that he is a vital part of a selling organization and must never be allowed for an instant to get the idea that he is not directly and vitally tied up with the fortunes of the manufacturer.

In a developed market it is undoubtedly true that the branch house is the most satisfactory from many points of view but it is also true that it is probably the most expensive method of doing foreign trade. Once a branch house is established it is almost impossible to withdraw it without serious injury resulting to the trade in that particular section of the world, for customers soon come to rely on the branch house with all its conveniences. When the convenience of the branch house has been withdrawn they find it more difficult to obtain goods and supplies. Consequently their good feeling toward the manufacturer is somewhat cooled and they may seek other agencies in order to secure the goods which they may wish to sell. The branch house is, then, a means for developing the market for a large corporation. It has been found especially desirable in those corporations exporting machinery of various sorts. This is true because the branch house may have on its staff a number of technically trained advisers who may be called upon in case of difficulty or in the case of breakdown needing immediate attention. Again, the branch house is able to keep on hand a supply of spare parts. This materially shortens the time during which machinery may be idle and in the time of stress a quick repair may be a matter of no small significance to a customer. When a branch house is established, frequent trips to the home factory should be planned for the employees so that they may keep in touch with the new goods that are being produced, and with the new methods of producing them. In return they may give suggestions as to new goods or give personal direction in the case of slight changes in the goods which may make them far more desirable in the markets where they are located.

If a manufacturer feels that he does not care to deal directly with foreign customers in his sales campaign, he may resort to one of the so-called indirect methods for handling at least a part of his foreign trade. The middle men who will handle the export trade for the manager are of two general types—the commission house and the export merchants. The commission house may be again subdivided into the commission merchant proper and the so-called manufacturer's export agent. Usually it is very difficult to distinguish between these various types of business because a single house may handle one or more of them. However, for the purpose of simplicity we will consider them as three distinct kinds of export middle men.

It may be helpful to make first some general remarks about export houses. The importance of not permitting one of these middle men to export goods into a territory where the manufacturer already has an exclusive agent has been mentioned before. To prevent this it has been known that in some cases manufacturers have demanded from these middle men not only the country of destination of the goods which they have ordered, but also the identity of the purchaser. Some of these manufacturers have been able to do this and yet retain the good will of the export house. It is obvious that here lies the great problem in this particular question, namely, the protection of the exclusive agent in a foreign field and at the same time the retention of the good will of the export house. It if comes to an actual choice between the two there is no doubt but that the manufacturer in general will be better off in protecting his exclusive agent as it is known that this is probably a far more effective method of selling in a foreign market than through an export house. If a manufacturer should happen to discover that the goods have been sold in an exclusive territory a prompt apology accompanied by the proper commission should be made to the exclusive agent.

In selecting a middle man great care should be taken to discover whether a certain export house can handle the manufacturer's goods in a

particular foreign field. An export house may rate first in a certain foreign market and yet be rated fourth or fifth in another market that the manufacturer may be equally eager to develop. There is also the choice of an export house doing business only in one particular line in which they may specialize or of a house doing a very general business. Therefore there is need of emphasis that the selection of an export house for a particular field and a particular commodity requires very careful personal investigation.

There is another advantage to the manufacturer in dealing through a middle man. This is the advantage of dealing with a company here in the United States. While the manufacturer must always stand behind his wares the important task of shipment and the collection of payment is taken by the export house. In case of dispute or difficulties needing legal advice, there is the advantage of having to deal with a domestic company rather than a foreign firm. The larger export houses are in a very strong financial position because their large business and shipment of goods to all parts of the world go to strengthen their credit standing. It would be almost impossible for any one of these larger houses to have all of its foreign business fail at any one time. The result of this is that the export house can probably obtain better banking accommodations at lower cost than the manufacturer doing a small export trade.

The work of the export house has become so important, over fifty per cent of American exports being handled through these houses, that they have developed a very comprehensive organization in foreign markets. Thus the export house may have its salesmen, foreign agencies or branch houses abroad just as if it were the manufacturer handling its foreign trade direct.

Turning now to the particular work of the various types of houses, let us discuss the commission merchant first. The commission merchant may handle whatever business comes his way. Usually he does not act as a direct and special agent of the manufacturer. In this phase of his work

he is not so important to the manufacturer who wishes to develop the foreign field. However, the commission house does perform a very important function for the importer in a foreign field. The importer may, for example desire a number of small shipments from several manufacturers in this country. To deal directly with each manufacturer for each of these shipments would not be profitable as the charges for freight and other overhead expenses are out of proportion to the size of the shipment. In such case the foreign importer can communicate with the commission house who will order the separate articles desired, collect them into single shipment and forward them under one bill of lading. Many times the commission house or indent agent as he is known when acting in this capacity, will receive a general order from his foreign correspondent which leaves the details to the taste and judgment of the indent agent to determine. In such a position the indent agent acts in a confidential capacity as he has a part in the selection of goods. Such a procedure is established only after many transactions have been carried through on a more exact basis. When acting in such a capacity the indent agent receives for his work a small commission from the buyer. The commission house may also solicit orders on its own account which it may fill from the goods made by the manufacturers with whom it is in touch. In this connection the work of the export house as a commission agent is identical with the work of the export house which may be done as a manufacturer's export agent. The fundamental idea of the commission house, however, is to serve as indent agent for the importer.

Just as the idea of the commission house was to receive and execute orders from the importers abroad, so the idea of the manufacturer's export agent is an export house doing a commission business and acting for the manufacturer in his export business. It is in connection with this type of house that the manufacturer needs to take special care in selecting his representatives, for if as is usual the export house handles several lines of goods, the manufacturer must make certain not only that he is able to serve him in a particular territory, but also that the export agent handles a non-

competing line of goods. While this is not always true, it is obviously the part of wisdom for the manufacturer to make certain that he does not incur the risk. In dealing through an export agent the manufacturer naturally pays the commission on sales which are made.

The advantage of the commission house is that the manufacturer can do business in small quantities at a rate far cheaper than he could do it himself. In addition to this the commission house assumes all care in the question of necessary documents in making the shipment of goods. The manufacturer, however, must not suppose for a minute that, because he has given his business in a certain territory to an export house, his responsibility for that work is finished. Continued co-operation in the way of suggestion, advice, correspondence, and advertising is continually necessary if the maximum results are to be obtained. Thus one export manufacturer co-operated with a commission house in the following way: "As manager of the export department, I felt that my first duty was to get trial orders. That was the essential point. When the orders came the next important thing was to get the money, and I then went to the export houses who were, generally speaking, doing business in the particular markets from which the orders had come. I said to them, 'Here is an order for \$500, or \$1,000, or \$2,000 worth of my material. Will you finance it? And what will you charge us?' There never has been a case, whether the customer said ship the goods on open account, or on time draft, or sight draft, attached bill of lading, that I have not been able to find an export house that would finance the business for a relatively small amount of money. I then wrote the customer and thanked him for his order, saying that our good friends, Messrs. So-and-so, who were acting as our representatives or something of that sort, would forward his shipment, and that he would receive his goods through them; that, further, our company would pay any charge they made for their services, so that the goods would cost him no more than if he had bought them direct from us, but with the fine point that we would get our money within ten days, cash in New York." (Proceedings of the Fourth National Foreign Trade Convention.)

The export merchant handles the foreign transaction on a somewhat different basis from either of the two classes of houses just mentioned. The commission house forwards goods either on the order of a foreign importer or at the request of a domestic manufacturer. He is, in other words, simply a commission middle man. The export merchant, however, purchases the goods direct for his own account and then seeks to sell them in his foreign branches just as any merchant who takes complete title to goods may seek to sell them in open market. The export merchant is worth while to deal with provided he does not conflict with any exclusive agreements already made with other individuals. From the manufacturer's point of view, he is very satisfactory to deal with as the manufacturer's responsibility entirely ceases as soon as the goods are out of his hands. On the other hand the manufacturer must not expect the merchant to carry on a sales campaign in his favor.

The difficulties that the manufacturer must face in dealing through these indirect agencies have been given in the statements already made, that is, the manufacturer must face the difficulty of competition with his already appointed exclusive agents; he must pick out with great care those export houses which can handle effectively the trade within the particular field he desires to develop; and, in addition he must realize that the export house handling more than one of the above types of business is generally interested in serving the foreign buyer and not the manufacturer.

While the freight forwarder is not a buying or a selling agency for the promotion of foreign trade, he is a means for getting a shipment of goods over-seas and consequently a brief discussion of his work is introduced here. The work of the freight forwarder is to take from the shoulders of the exporter all of the care and detail in actually getting the goods over-seas or into a foreign country. If an order is received, say by a manufacturer inland, an inquiry is addressed to a freight forwarder as to what he can do. Freight forwarders have blanks on which may be filled out full descriptions of goods, and instructions as to what is wanted. They will in turn advise

the manufacturer in regard to all of the details of preparing the shipment of goods. The freight forwarder will receive the goods at the seaport from the railroad company and will take care of all the necessary routine in getting the goods on the proper steamer to be forwarded to their destination, sending back to the manufacturer the proper documents which are discussed below. In case of small shipments the freight forwarder will collect a number destined for the same port and will forward them all together. In this way there is usually a saving in freight charges. For a manufacturer just starting in export trade the assistance of a freight forwarder is exceedingly valuable as the cost of service is comparatively small and the efficiency very high. Any manufacturer wishing to begin in a small way would do well to look up one of the freight forwarding concerns that have offices in New York to take care of his shipments at least during the first part of his over-seas business.

THE PROCESS OF MAKING THE SHIPMENT

Just as in a domestic shipment of goods there is, in export trade, a series of documents which follow the goods through a certain routine until those goods have actually been received by the importer abroad. A few general remarks in regard to documents may not be out of place at this point. Two defects too often characterize the documentary routine of the domestic shipment. These are abbreviations which may be misleading, and carelessness, which, although unpardonable in domestic trade, is almost suicidal in foreign trade. Too much emphasis can not be placed on the necessity that documents used in foreign trade must be complete with no misleading abbreviations and that they must be absolutely accurate. A misleading abbreviation or a careless inaccuracy may cost the exporter not only inconvenience but also money in the way of fines, and the loss of the confidence and the trade of his foreign client.

Let us suppose that the manufacturer has sent out advertising matter and that there comes an inquire from some importer in a foreign country

asking for lowest terms on certain goods. There are several different bases for quoting terms and these must be clearly understood by both exporter and importer so as to avoid any possibility of misunderstanding. The National Foreign Trade Council has drawn up a set of standard quotations for use in export work. They are so important that they are reproduced in full in the appendix so that they may be easily consulted. Suppose that the manufacturer has made his calculations of price and has written the importer making him a quotation on the articles he desires, and that the importer writes or cables his order for the goods. It is now necessary to prepare the goods for shipment and get them over-seas.

Naturally the first thing that must be done is to prepare the goods for shipment. This is an operation which requires considerably more care than the similar operation in domestic commerce as skillful planning in regard to the packing may save the exporter a considerable amount of money. The goods should be weighed before and after being wrapped so as to determine their net and "legal" weight and also after they are in the cases. The reason for this is that net legal and gross weight may be wanted for customs purposes. There are opportunities here to save money on customs duties in certain countries by a proper choice of size and weight of cases, taking advantage of the lower rate on net or legal or gross weight as may happen. It is obvious that this is one of the questions that a professional export or freight forwarder can best answer. Not only in the weighing but also in the packing is it important that the goods receive more care than is usual in the domestic trade. Anyone who has watched goods being loaded on steamer at some port will understand the necessity for properly constructed cases. In loading goods a number of cases and packages are piled together in the middle of a net sling and start upward with a jerk when lifted by the ship's tackle. The case containing the goods in question may be at the center or may be on the outside of this collection and may receive very heavy strains from an irregular shaped package, bale or case which has been placed next to it. Once the goods are lifted from the dock it might seem that the trouble was over but the goods are

dropped into the hold with a crash and are then stowed away in no gentle fashion by the stevedore. Even at sea there is danger awaiting the improperly packed goods as they or adjacent goods may sweat or in a heavy sea some of the seams of the ship may be opened and in this way dampness or sea water may find its way into the cases. It is obvious that goods received in a foreign port ruined beyond all hope of use even though the company stands the loss means a dissatisfied customer as the customer in a foreign market can not have his order refilled probably within several months at least, by which time it may be too late to be of use. The treatment received by the goods while being placed on board must be duplicated when the ship unloads at a foreign port. Goods liable to damage through water should consequently be placed in water-tight wrappings and also sometimes in metal-lined cases. Machinery liable to rust should be covered with grease, known as "slush." Not only must the goods be securely packed to prevent damage but they must also be packed to prevent pilferage. It has been truly remarked that the function of the packing case is two-fold: the prevention of damage to the goods, and also of loss through pilferage. It is not definitely known at just what point in the shipment of goods the pilferage takes place. It may be on the truck before the goods are delivered to the steamship company; it may be while the goods are lying in the warehouse waiting to be loaded; it may be that the pilferage takes place in the hold of the ship while the goods are on board the steamer. The fact is, however, that pilferage does take place on a large scale and that thieves are exceedingly clever. Goods are withdrawn from cases, stones substituted to give weight, and the boards replaced without apparently showing any evidence of tampering. To prevent this sort of thing goods should be packed in tight cases made of tongue and grooved boards. After the goods are packed the top, bottom and sides should be secured by iron straps held by some sort of safety nail. Containers should be as light as possible consistent with safety. Yet it must be remembered that cheap packing is expensive. The packing also ought to be adapted to the climate and transportation facilities of the country to which the goods are to be sent. Thus the goods which have to be transported on pack animals in

the rainy season of tropical country need special care as to waterproofing and as to the size of the packages. Much complaint has been heard in regard to American methods of packing but it must be said on the other hand that many concerns with a large foreign trade have long had a reputation for packing their goods in a very satisfactory manner. Such firms have found that attention to this phase of their export business pays.

Another thing which has to do with the packing is the marking of the cases. It is common practice in domestic trade to place on the outside of cases various labels or marks which advertise and indicate their contents. A moment's thought will show that such advertising is not only a waste as obviously it will not be understood in a foreign country but that it also indicates the character of the contents and so helps the work of possible thieves. Mottoes such as "use no hooks," "this side up," or "handle with care" are superfluous as far as the foreign illiterate stevedore is concerned. The cases should bear some simple design such as a triangle or a square with the initials of the consignee or some other letters easily picked out, together with a number which designates the particular case. Here again it is necessary to make sure that the numbers are consecutive from one up to the last case numbered. The reason for this is that in some countries the customs officials assume that fraud or smuggling is being attempted if there is no package corresponding to some missing number in a consecutive series. A fine is likely to be the penalty for such oversight on the part of the exporter.

While the goods are being packed some of the other documents may be prepared. The first of these is a reservation for space on board a particular steamer which will get the goods to their destination at the desired time. This is the so-called shipping permit. It states the ship on which space is to be reserved and the day and hour on or before which the goods must be presented at the dock for shipment. The goods will not be received at the dock, however, unless they have been cleared through customs. At present two copies of the customs declaration must be made out and sworn

to. These are taken to the custom house and approved: the original is retained there and the certified copy is presented by the exporter at the dock at the time the goods are actually delivered. The other documents which may be prepared at this time are the consular invoices, the ocean bills of lading, and the insurance certificates. The consular invoices are usually necessary for Latin-American countries as well as for some of the other countries. They must be certified by the consul of the foreign country in order that the goods be allowed to enter that country. Sometimes certificates are also necessary stating the average domestic price in the country of export as well as the export price for the particular article in question. These are anti-dumping certificates which are required by the foreign country to prevent the selling of surplus products below cost within their boundaries. Sometimes certificates of origin are necessary which show in what country the goods were originally manufactured.

Of all the shipping documents as might naturally be expected, the ocean freight bill of lading is by far the most important. This is the document which actually represents the goods after they have left the hands of the exporter until they reach the importer. The bill of lading has three functions: it is the official receipt of the steamship company for the goods, it is a contract between the steamship company and the exporter for the carriage of the goods and, in addition it carries title to the goods. As a receipt the bill of lading says that the goods described on its face have been received in apparent good order and condition. The contract on the bill of lading exempts the carrier from almost every liability which he can legally escape or from any liability which he may imagine may at some time arise. There are, however, certain things from which he cannot claim exemption. Such, for instance, is his necessity for having the ship in a seaworthy condition and properly officered and manned. It must be admitted that most exporters seldom if ever read their bills of lading. But this in no wise relieves them of that responsibility because the act of accepting the document implies assent to all its conditions. As will be shown below the fact that the bill of lading carrying title to the goods enables the exporter

to get his money, probably makes this particular function seem most important to the exporter. At least the original bill of lading and one copy—sometimes two—termed “negotiable” are made which carry the title to the goods. If any of the negotiable copies fulfills its function the others automatically become void. The reason for having two will be explained below. A number of non-negotiable copies of the bill of lading are usually made. These are for files and information purposes only.

The exporter will frequently find it advantageous to place his insurance through an insurance broker. The cost to him is no greater than if he handled the business direct and the details are left to the care of the broker. The broker receives his fee for the services rendered from the insurance company. Insurance for an over-seas shipment is necessary because of the extra perils of the sea. The full insurance policy is usually too bulky a document to be conveniently handled and consequently the insurance certificate is usually issued to represent the policy. It carries all of the obligations that the full policy carries. This document is usually about the size of an ordinary business letterhead and consequently is very convenient.

We will suppose that now the goods have been packed and are ready to be delivered at the dock. When the drayman delivers the goods at the dock he must present the shipping permit and the export declaration. He receives in return for the goods a signed acknowledgement from the steamship company which is known as the dock receipt. These are usually prepared in advance by the exporter on blanks furnished by the steamship company, the signature of the steamship company making them valid. The dock receipt simply states that such and such goods were received in apparent good order and condition from such and such a firm. Sometimes the dock receipt states certain terms and conditions according to which the goods were received. The drayman returns this receipt to the exporter.

The exporter can now take the dock receipt, together with the bills of lading which he has filled out on blanks furnished by the steamship

company to the steamship office where in exchange for the dock receipt the steamship office will give signature to the bills of lading. The exporter has now given his goods into the care of the steamship company and has received in return signed copies of the bills of lading of which the negotiable copies now represent the goods as far as he is concerned. All that remains for him to do is to collect payment for his goods sent abroad.

In addition to the documents mentioned above there is usually prepared now the ordinary commercial invoice. A copy of this, together with a packing list or memorandum of weights and measures of the contents of the various cases and a copy of the non-negotiable bill of lading is usually forwarded to the importer to advise him concerning the shipment. It should be noted that none of these papers can aid the importer in obtaining the goods from the steamship company.

Two copies of the foreign draft must now be prepared. These are really requests that the importer, on a certain date, shall allow his own bank in the foreign country to draw on his account for a certain sum of money. The copies of the draft, together with the negotiable copies of the bill of lading, insurance certificates, consular invoices, commercial invoices, and packing lists are taken to the exporter's bank. There are usually two complete sets with a third negotiable bill of lading required for cases of emergency. The bill of lading, commercial invoice, insurance certificate, and draft are known as a commercial set, which represents from now on the financial end of the transaction. If the exporter is well-known, the bank may be willing to loan him money on these documents while the actual payment for the goods is being collected. In other words the banker discounts the draft for the exporter. It was this particular function in which, as was pointed out above, the professional export house had an especial advantage because they had long established dealings with their bankers. It should be noted that in case the exporter has difficulty in discounting his drafts he should call on some of the foreign bankers who have offices in New York and in some other cities. These bankers are not permitted by law

to receive or carry deposit accounts. Their business is dealing in foreign exchange. The standing of these bankers as a class is beyond question.

The bank now has possession of two sets of the necessary documents. In the simple and ideal case, which is all that will be discussed here, they are sent by two separate mails to their foreign correspondent bank. The foreign bank will present the documents to the importer who would be expected to write the word "accepted" across the face of the draft, date it, and sign his name which would then to all effects make the document binding upon him requiring him to pay the face of the draft on or before a certain date. The bank would then deliver the remainder of the commercial set to the importer who could then obtain his goods from the steamship company on presenting the bill of lading, after which it would remain for him simply to clear them through customs. When the draft is paid by the importer, the payment is forwarded to the exporter's bank in this country. The transaction is then complete.

Mention has been made of the date on the draft by which time the importer must make payment. This is drawn payable either at sight, that is at the time the importer accepts the draft, or at thirty, sixty or ninety days after the date of the acceptance according to the terms of the draft. In case of a new customer or in case of an unusually advantageous bargain the exporter may wish to get his money immediately, that is to receive payment for the goods at the time he delivers the documents at his own bank. This is done by demanding an irrevocable letter of credit good at a certain date and drawn on some bank in this country. Here the importer must forward the foreign exchange by letter or cable and have the required sum to his credit at the exporter's bank. In such a case the exporter simply presents the letter of credit at his bank and receives in return his payment for the goods. It is obvious that here the exporter receives immediately the payment for his goods instead of having to wait for the time to elapse during which the documents may be shipped overseas, the time on the draft to expire, and the payment returned to this country. Naturally

it would be very desirable for the exporter if payment for his goods could always be made immediately. But foreign trade is not usually conducted in this way, and many Americans newly entering the export field have had to learn that with reliable customers they must use the time draft.

COMBINATIONS IN EXPORTING

Within the boundaries of the United States corporations doing business are controlled by a more or less uniform set of laws. When, however, a corporation attempts to do business outside of the United States it must meet the competition of other companies organized under the laws of other nations. The laws of these foreign nations may permit practices which are illegal here in the United States. If the differences in the laws give a commercial advantage to the business organizations of some other country, then it inevitably follows that, with other conditions equal, those less favored must fail. A case of this has occurred in combinations of firms for foreign trade. Such combinations have been permitted and even fostered by some of the leading foreign nations. On the other hand here in the United States such combinations have been forbidden. In order to give American corporations a fair chance to compete with these foreign combinations, the Webb-Pomerene Act was passed by Congress in 1918. In short this act exempts combinations of corporations engaged in foreign business from the penalties of the anti-trust laws: the object of the exemptions being such as to enable combinations of firms to meet the competition of similar foreign organizations. While such combinations are no longer illegal they are not free from all regulation, the power to control them being vested in the Federal Trade Commission. The fact that many firms have filed requests for permission to combine according to the provisions of this act shows that it offers a valuable opportunity.

As might be imagined the commercial advantage of these combinations is in the savings which can be effected: savings in manufacturing and in

marketing. The goods are produced at less cost due to a standardization of manufacture and the saving of competition between factories. They are also carried overseas at smaller cost. In the case of a particularly large order, such as materials for building a railway, the saving appears not only in the manufacturing but also in the shipping of the goods. Possibly the order may be large enough to warrant the chartering of a whole steamer. At any rate the import expenses will probably be less than would be the case if the goods were sent by a number of shipments from several plants. Again, the combination benefits by having but one large foreign sales organization in place of a number of weaker organizations which each member of the combination would otherwise be forced to maintain. Heretofore combinations of foreign buyers have been able to play off the individual American firms against each other, resulting in destructive competition. This has been overcome now: the American combination can meet the foreign buyers on an equal footing.

IMPORTING

We have traced a shipment of goods overseas from the American exporter to the importer abroad. Our interest so far has been in the exporter. Let us now turn to the other end of the game and imagine that we are an American importer.

We have examined the methods by which the American exporter sells goods abroad, namely through the salesman, exclusive agent, branch house, commission merchant, manufacturer's export agent, and export merchant. All of these methods are, in effect, used by the foreign exporter selling to the American importer. In addition the importers use two other methods which are different from those enumerated: the foreign buyer and the foreign (importer's) branch house.

Imported goods may be roughly divided into two classes: staples and specialties. It is chiefly for the purchase of this latter class of goods that

these other two methods are used. In the purchase of specialties such as linen, dress goods or laces where fashion or the personal taste of the buyer makes a difference, it is obviously advantageous to secure early and selected shipments. These must be placed in the hands of the retailer as soon as possible. Hence buyers are usually employed by large department stores and sometimes by wholesalers in specialties. The personal taste of the buyer appears in the goods that he or she may purchase. Customers of the department stores of a large city know that in this or in that store they can always find an unusually attractive line of a particular kind of goods. They little realize that this is true because of the taste and judgment of the buyer which that store sends abroad. Let the buyer sever his connection with that store, the public will know it within a few months by the changed character of the goods displayed for sale.

The importer may organize branch houses abroad but just as in the case of the exporter the branch house plan of organization may be too expensive. If this is the case buyers only are used. On the other hand the branch house frequently takes the form simply of an outpost for the importer advising him in regard to opportunities or keeping him informed as to changes in fashion. This will tend to increase the effectiveness of the buyer.

In a previous section on exporting we left the documents in the hands of the importer who then had the work of clearing his goods through customs. Let us examine the procedure for this in case the importer is in this country. The required papers are a negotiable copy of the bill of lading and the consular invoice. If the goods are valued at under one hundred dollars the commercial invoice will do instead. In case the importer does not have the consular invoice, he can use the commercial invoice and furnish bond to present the consular invoice at some later date. The customs entry form, filled out by the importer, must be presented with the documents just mentioned. On the entry form there are spaces for the marks, numbers, value, and description of the goods. This set of documents is presented to the Collector of Customs within forty-eight hours after the

vessel arrives as otherwise the goods will be sent to the Government stores. Except in the case of perishable goods or other things requiring immediate delivery, the documents must not be presented before the vessel arrives. The Collector estimates the amount of duty which the importer pays as a deposit and receives in return a delivery permit. With this permit and the bill of lading the importer's truckman can get part of the goods after the payment of the steamship freight. The customs inspectors select certain of the goods for inspection. If not too bulky these are sent to the Appraiser's Stores for examination. It should be noted that the importer binds himself not to dispose of that part of the goods he has actually received until the duty is finally assessed.

The appraisers examine the selected specimens to determine whether in their opinion the value of the goods agrees with the value given on the invoice. They also advise the Collector as to whether they believe the rate of duty made in the estimate was correct. After the Collector has received the report and the amount of duty has been calculated the cashier receives it, stamps the notation on the entry form, and checks the delivery permit as proof of receipt of payment. The importer can then obtain full possession of his goods.

The appraisers may not agree with either the valuation of the goods or the rate of duty. Changes increasing the valuation of the goods made by the appraisers carry additional duties as penalties. Changes in the rate of duty usually carry no penalty. Appeals from the decisions of the appraisers or Collector may be taken which in rare cases may go as high as the Supreme Court of the United States. It should be noted that the appeal must be filed within ten days of the notification of the increase in the amount of the duty.

If the importer chooses, goods may be imported in bond. In this case the goods are taken directly from the steamer by a licensed truckman to the Government bonded warehouse. The advantage in importing in this

way is that the importer does not have to pay duty on the goods until they are withdrawn from the warehouse. Duties are assessed at the rate current at the time of the withdrawal. Three years is the maximum time that they can be kept in bond. Occasionally an importer may want to have the goods sent inland in bond. When this is done the goods are cleared through customs at some inland city in the same way as described above.

A word should be said about the custom house brokers. These are men who serve the importer as agent in clearing the importer's goods through customs. Because of their familiarity with all the details and technicalities of the work they are able to get goods through customs in the most efficient manner. The fee which they receive for their service is small. As the nature of their work is confidential, they are required to be licensed by the Secretary of the Treasury. The importer who receives only an occasional shipment or who wants to turn over the detail of clearing a large amount of goods which are continually arriving to some one else finds the custom house broker a very valuable aid.

AGENCIES IN THE PROMOTION OF FOREIGN TRADE

Agencies in the promotion of foreign trade may be divided into two general classes: those under the direction of the Government and those under private control. Space does not permit a full discussion of the work of these various organizations so that only a mere outline of the work of the more important ones will be given.

The Bureau of Foreign and Domestic Commerce is organized under the Department of Commerce. While the main office of the Bureau is in Washington, there are district and co-operative offices in a number of cities of the United States. The Bureau receives daily large masses of material from its own agents at home and abroad as well as from the Commercial Attaches, Consuls and Collectors of Customs, who are under the direction of other departments of the government. This mass of material is sorted.

Some is published and some is kept on file for use in answer to inquiries of business men. For instance, files are kept on the tariff in various foreign countries, on commercial treaties and on trade opportunities. The Bureau publishes weekly the Commerce Reports which give current information related to foreign commerce. Its other publications are issued in four series of pamphlets which are published at irregular intervals. These are the Special Agents Series, Tariff Series, Special Consular Reports and Miscellaneous Series. A catalogue of the pamphlets in these series can be had from any of the offices of the Bureau or from the Superintendent of Documents in Washington. The Bureau daily answers many questions in regard to foreign trade. Its service is free and is of vital importance to every firm engaged in foreign trade.

The Chamber of Commerce of the United States of America represents the business interests of the whole country. The membership consists of local chambers of commerce, commercial organizations and of individual members. Only part of its work deals with foreign trade. Located in Washington it can present the views of the business men of the country to Congress. Its object is to bring business sentiment to a focus on the important questions of commerce.

The National Association of Manufacturers was organized for the promotion of the interests of the manufacturers. There is a department on foreign trade which carries on work in respect to such things as buyers, credits, collections, publicity and information.

The American Manufacturers Export Association is an organization whose members are almost all manufacturers. Its object is "to foster and promote business and commercial relations between American manufacturers and foreign nations." This Association works in co-operation with government agencies for the promotion of foreign trade. It was responsible for organizing the National Foreign Trade Convention.

The National Foreign Trade Council grew out of the Convention just mentioned. It is composed of about fifty members. The object of the Council is to direct the policy and development of American foreign trade. The National Foreign Trade Convention, held yearly, is now under its direction.

APPENDIX

INDIA HOUSE RULES FOR F. O. B.

General recommendations for standard American export practice were adopted as follows at a conference held in India House, New York, on December 16, 1919, by the National Foreign Trade Council, Chamber of Commerce of the United States of America, National Association of Manufacturers, American Manufacturers' Export Association, Philadelphia Commercial Museum, American Exporters' and Importers' Association, Chamber of Commerce of the State of New York, New York Produce Exchange, and New York Merchants' Association:

As the most certain means of insuring unmistakable clarity in terms and conditions of sale, the conference voted to recommend to manufacturers and exporters that all use of abbreviated forms of export price quotations be abandoned, and that such terms be written out in full.

The conference recognized, however, that this recommendation is not likely to be accepted generally at once; and therefore, in the hope of effecting a simplification and standardization of American practice, it adopted the following statement of definitions of the abbreviated forms in more common and general use in the export trade. The conference strongly recommends to manufacturers and exporters that wherever abbreviated forms of export quotations are employed, the forms herein defined be used, as far as possible, to the exclusion of other forms.

These are, in their order, the normal situations on which an export manufacturer or shipper may desire to quote prices. It is understood that unless a particular railroad is specified, the property will be delivered to the carrier most conveniently located to the shipper. If the buyer, for the purpose of delivery, or in order to obtain lower transportation charges, desires that the goods be delivered to a carrier farther removed from the shipper and entailing a greater cost than delivery to the carrier most favorably situated, the carrier to which the buyer desires delivery of the goods should be named in the quotation. The term "cars or lighters," as used herein, is intended to include river, lake, or coastwise ships, canal boats, barges, or other means of transportation, when so specified in the quotation.

PROPER TERMS IN ROUTING

1. When the price quoted applies only at inland shipping point and the seller merely undertakes to load the goods on or in cars or lighters furnished by the railroad company serving the industry, or most conveniently located to the industry, without other designation as to routing, the proper term is:

"F. O. B. (named point)." Under this quotation:

(a) Seller must (1) place goods on or in cars or lighters, (2) secure railroad bill of lading, (3) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company.

(b) Buyers must (1) be responsible for loss and/or damage incurred thereafter, (2) pay all transportation charges, including taxes, if any, (3) handle all subsequent movement of the goods.

2. When the seller quotes a price including transportation charges to the port of exportation without assuming responsibility for the goods after obtaining a clean bill of lading at point of origin, the proper term is:

"F. O. B. (named point) freight prepaid to (named point on the seaboard)." Under this quotation:

(a) Seller must (1) place goods on or in cars or lighters, (2) secure railroad bill of lading, (3) pay freight to named port, (4) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company.

(b) Buyer must (1) be responsible for loss and/or damage incurred thereafter, (2) handle all subsequent movement of the goods, (3) unload goods from cars, (4) transport goods to vessels, (5) pay all demurrage and/or storage charges, (6) arrange for storage in warehouse or on wharf where necessary.

3. Where the seller wishes to quote a price, from which the buyer may deduct the cost of transportation to a given point on the seaboard, without the seller assuming responsibility for the goods after obtaining a clean bill of lading at point of origin, the proper term is:

"F. O. B. (named point) freight allowed to (named point on the seaboard)." Under this quotation:

(a) Seller must (1) place goods on or in cars or lighters, (2) secure railroad bill of lading, (3) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company.

(b) Buyer must (1) be responsible for loss and/or damage incurred thereafter, (2) pay all transportation charges (buyer is then entitled to deduct from the amount of the invoice the freight paid from primary point to named port), (3) handle all subsequent movement of the goods, (4) unload goods from cars, (5) transport goods to vessel, (6) pay all demurrage and/or storage charges, (7) arrange for storage in warehouse or on wharf where necessary.

4. The seller may desire to quote a price covering the transportation of the goods to seaboard, assuming responsibility for loss and/or damage up to that point. In this case, the proper term is:

"F. O. B. cars (naming point on seaboard)." Under this quotation:

(a) Seller must (1) place goods on or in cars, (2) secure railroad bill of lading, (3) pay all freight charges from forwarding point to port on seaboard, (4) be responsible for loss and/or damage until goods have arrived in or on cars at the named port.

(b) Buyer must (1) be responsible for loss and/or damage incurred thereafter, (2) unload goods from cars, (3) handle all subsequent movement of the goods, (4) transport goods to vessel, (5) pay all demurrage and/or storage charges, (6) arrange for storage in warehouse or on wharf where necessary.

5. It may be that the goods, on which a price is quoted covering the transportation of the goods to the seaboard, constitute less than a carload lot. In this case, the proper term is:

"F. O. B. cars (named port) L. C. L." Under this quotation:

(a) Seller must (1) deliver goods to the initial carrier, (2) secure railroad bill of lading, (3) pay all freight charges from forwarding point to port on seaboard, (4) be responsible for loss and/or damage until goods have arrived on cars at the named port.

(b) Buyer must (1) be responsible for loss and/or damage incurred thereafter, (2) handle all subsequent movement of the goods, (3) accept goods from the carrier, (4) transport goods to vessel, (5) pay all storage charges, (6) arrange for storage in warehouse or on wharf where necessary.

6. Seller may quote a price which will include the expense of transportation of the goods by rail to the seaboard, including lighterage. In this case the proper term is:

"F. O. B. cars (named port) lighterage free." Under this quotation:

(a) Seller must (1) place goods on or in cars, (2) secure railroad bill of lading, (3) pay all transportation charges to, including lighterage at, the port named, (4) be responsible for loss and/or damage until goods have arrived on cars at the named port.

(b) Buyer must (1) be responsible for loss and/or damage incurred thereafter, (2) handle all subsequent movement of the goods, (3) take out the insurance necessary to the safety of the goods after arrival on the cars, (4) pay the cost of hoisting goods into vessel where weight of goods is too great for ship's tackle, (5) pay all demurrage and other charges, except lighterage charges.

7. The seller may desire to quote a price covering delivery of the goods alongside overseas vessel and within reach of its loading tackle. In this case the proper term is:

"F. A. S. vessel (named port)." Under this quotation:

(a) Seller must (1) transport goods to seaboard, (2) store goods in warehouse or on wharf if necessary, unless buyer's obligation includes provision of shipping facilities, (3) place goods alongside vessel either in a lighter or on the wharf, (4) be responsible for loss and/or damage until goods have been delivered alongside the ship or on wharf.

(b) Buyer must (1) be responsible for loss and/or damage thereafter, and for insurance, (2) handle all subsequent movement of the goods, (3) pay cost of hoisting goods into vessel where weight of goods is too great for ship's tackle.

8. The seller may desire to quote a price covering all expenses up to and including delivery of the goods upon the overseas vessel at a named port. In this case the proper term is:

"F. O. B. vessel (named port)." Under this quotation:

(a) Seller must (1) meet all charges incurred in placing goods actually on board the vessel, (2) be responsible for all loss and/or damage until goods have been placed on board the vessel.

(b) Buyer must (1) be responsible for loss and/or damage thereafter, (2) handle all subsequent movement of the goods.

9. The seller may be ready to go further than the delivery of his goods upon the overseas vessel and be willing to pay transportation to a foreign point of delivery. In this case the proper term is:

"C. & F. (named foreign port)." Under this quotation:

(a) Seller must (1) make freight contract and pay transportation charges sufficient to carry goods to agreed destination, (2) delivery to buyer or his agent proper bills of lading to the agreed destination, (3) be responsible for loss and/or damage until goods have been delivered alongside the ship and clean ocean bill of lading obtained (seller is not responsible for delivery of goods at destination).

(b) Buyer must (1) be responsible for loss and/or damage thereafter and must take out all necessary insurance, (2) handle all subsequent movement of the goods, (3) take delivery and pay costs of discharge, lighterage, and landing at foreign port of destination in accordance with bill of lading clauses, (4) pay foreign customs duties and wharfage charges, if any.

10. The seller may desire to quote a price covering the cost of the goods, the marine insurance on the goods, and all transportation charges to the foreign point of delivery. In this case, the proper term is:

"C. I. F. (named foreign port)." Under this quotation:

(a) Seller must (1) make freight contract and pay freight charges sufficient to carry goods to agreed destination, (2) take out and pay for necessary marine insurance, (3) be responsible for loss and/or damage until goods have been delivered alongside the ship, and clean ocean bill of lading and insurance policy have been delivered to the buyer or his agent. (Seller is not responsible for the delivery of goods at destination, nor for payment by the underwriters of insurance claims), (4) provide war-risk insurance where necessary for buyer's account.

(b) Buyer must (1) be responsible for loss and/or damage thereafter, and must make all claims to which he may be entitled under the insurance directly on the underwriters, (2) take delivery and pay costs of discharge, lighterage, and landing at foreign ports of destination in accordance with bill of lading clauses, (3) pay foreign customs duties and wharfage charges, if any.

Explanations of abbreviations are given below:

F. O. B.....	Free on board
F. A. S.....	Free alongside ship
C. & F.....	Cost and freight
C. I. F.....	Cost, insurance, and freight
L. C. L.....	Less than carload lot

GENERAL RECOMMENDATIONS

In reaching the conclusions set forth in this statement the conference considered the fact that there are, in more or less common use by manufacturers in different parts of the United States, numerous variations of these abbreviations, practically all of which are employed to convey meaning substantially synonymous with those here defined. For instance, there are manufacturers who quote "F. O. B. cars," "F. O. B. works," "F. O. B. mill," or "F. O. B. factory," meaning that the seller and buyer have the same responsibilities as those set forth in Section 1. The conference considered all those variations and determined to recommend the use of "F. O. B. (named point)," as "F. O. B. Detroit," "F. O. B. Pittsburgh," etc. Of the considerable number of these abbreviations which are used in the United States, the conference felt that the form "F. O. B. (named point)" is most widely used and understood, and, therefore, should be adopted as the standard of practice.

The chief purpose of the conference is to simplify and standardize American practice, and to that end it urges manufacturers and exporters to cease the use of synonymous abbreviations and quote habitually in the terms here recommended, just as far as these terms will cover the price conditions which it is desired to arrange with the buyer.

Variations of the abbreviations recommended in other sections also are in more or less common use throughout the United States. The recommendations of the conference set forth above apply to them with the same force as to those cited under section 1.

Manufacturers and exporters are urged to bear in mind that the confusion and controversies which have arisen have sprung in part from the use of an excessive number of abbreviated forms with substantially similar meanings, as well as from the use of abbreviations in a sense different from their original meanings, or in an application not originally given them and different from the sense or application understood by foreign buyers.

In simplified and standardized practice lies the best hope of reducing confusion and avoiding controversy.

The conference urges upon manufacturers and exporters the very great importance at all times of making their intention in whatever quotations they employ so thoroughly clear as to be impossible of misunderstanding or misinterpretation. It is much better to take the time and space at the outset to make the quotation clearly understood, than to be compelled in the end to go through vexatious controversy, or litigation, which costs not only time and expense but customers as well. Misunderstandings can best be avoided if the seller will formulate a written statement of the general conditions under which his sales are to be made, and will see that the foreign buyer possesses these terms of sale when considering a quotation. The items which may be included in such a statement deal with delivery, delays, partial shipments, shipping instructions, inspection, claims, damage, and payment. If all contingencies are thus covered by carefully considered conditions of sale, disputes will largely be prevented.

CONFUSION RESULTING FROM CERTAIN PRACTICES

The quotation "F. O. B. (named port)," as "F. O. B. New York," "F. O. B. New Orleans," "F. O. B. San Francisco," is often used by inland producers and distributors to mean merely delivery of the goods at railway terminal at the port named. This abbreviation originated as an export quotation and had no application to inland shipments. It was used only to mean delivery of the goods upon an overseas vessel at the port named. That, in fact, is the meaning universally given to the phrase among foreigners, and is the meaning which the best practice among exporters requires it invariably to have. But because of the confusion which has arisen through the use of that form with a different meaning by inland producers and distributors, and in the interest of unmistakable clarity, the conference most strongly urges the invariable use by American manufacturers and exporters of the form "F. O. B. vessel (named port)." This adds only one word to the abbreviated form and has the great advantage that it can not be misunderstood. It also avoids the difficulty which might arise among foreigners not always well versed in American geography, through confusing an inland forwarding point with a shipping port at seaboard.

The conference calls attention to the fact that in selling "F. A. S. vessel" manufacturers and exporters should be careful to have their agreements with buyers cover explicitly the question of responsibility for loss after goods have been delivered on the wharf or alongside the vessel and before they are actually loaded on the ship. There is no generally established practice on this point. The recommendation of the conference in the definitions of responsibility under section 7 sets up a rule which it is hoped will lead to the establishment of a standard practice.

It is understood that the provision of lighterage covered in several of these recommendations is only within the usual free lighterage limits of the port, and that where lighterage outside such limits is required, it is for buyer's account.

IMPORTANCE OF WEIGHT QUOTATIONS

In order to avoid confusion in another particular, attention is called to the care which must be exercised in all cases in making weight quotations. The net ton, the gross ton, and the metric ton all differ in weight. Similarly there is a variation in the use of the term "hundredweight" to mean either 100 pounds or 112 pounds. It is, therefore, not sufficient to quote a price per "ton" or per "hundredweight." Instead the conference recommends the use of the terms "ton of 2,000 pounds," "ton of 2,240 pounds," or "ton of 2,204 pounds," etc., whichever is intended.

It is also important to note that a carload lot in the United States means the quantity of the particular commodity in question necessary to obtain the carload freight rate for transportation on American railways. This quantity varies according to the commodity and also varies in different parts of the country. Certain commodities being more bulky than others, the minimum carload for them is less than for heavier products occupying less space. The load required may range anywhere from 12,000 to 90,000 pounds. Consequently, it is important, when quoting prices applicable to carload lots, to so state and to specify the minimum weight necessary to make a carload lot of the particular commodity for the particular shipment in question.

The conference points out that in quoting "C. & F." or "C. I. F." manufacturers and exporters moving large quantities of material by one vessel should be careful to ascertain in advance the buyer's capacity to take delivery. This because, under these terms and as a condition of making the freight rate, transportation companies may require a certain rate of discharge per day, and that rate of discharge might be in excess of the buyer's capacity to take delivery. In such event an adjustment with the transportation company would be necessary, which might affect the freight rate and consequently the price to be quoted.

SPECIAL PROVISIONS AND RECOMMENDATIONS

The conference also strongly urges shippers clearly to understand

the provisions of their insurance protection on all foreign sales, irrespective of the general terms used thereon. In almost all cases it should be possible, when making shipments by steamer, to obtain insurance cover giving full protection from primary shipping point to designated seaport delivery, and/or foreign port delivery. As ordinary marine insurance under F. P. A. conditions, i.e., free of particular average, gives no protection against deterioration and/or damage to the merchandise itself while in transit, when caused by the recognized hazards attending such risks, shippers should endeavor in all cases to obtain insurance under W. P. A. (S. P. A.) conditions, i.e., with particular average (subject to particular average), when in excess of the customary franchise of three per cent to five per cent. Under such form of insurance, underwriters will be called upon to pay claims for damages when these exceed the stipulated franchise.

The conference points out that, inasmuch as fees for consular invoices and similar items are arbitrary charges fixed by foreign governments, they are not included in the terms of C. & F. or C. I. F. quotations, and it is part of the duty of the buyer to meet them.

Finally, the conference strongly recommends, as a most effective measure of simplification, the general practice of quoting for export, as far as possible, either "F. A. S. vessel," "F. O. B. vessel," or "C. I. F." Concentration on this small list, all of which terms are readily understood abroad and are difficult of misinterpretation, will, it is felt, be markedly influential in avoiding confusion and controversy.

The conclusions and definitions set forth above are the recommendations of a conference which was composed of representatives of nine of the great commercial organizations of the United States interested in foreign trade. Not all have as yet the force of law or long-established practice; but it is the hope and expectation of the conference that these recommendations will receive such adherence on the part of American producers and distributors as to make them in fact the standard American practice. And it is, therefore, expected that in due time they will receive the sanction of legal authority.

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